

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

***Action Plan***  
***(Effective 3/1/2005)***

## **PROGRAM OUTLINE**

### State Administrative Organization

The Community Development staff of the Department of Administration administers the Community Development Block Grant Program.

To serve as a support element for the program, a Steering Committee has been formed with minimally representation from the Governor's Office, the Economic Development Corporation, the Rhode Island Housing and Mortgage Finance Corporation, Department of Administration and two citizens appointed by the Governor with expertise or interest in housing, economic and community development issues. A Committee member from the Department of Transportation will also be sought. The committee is advisory to the Governor and Community Development staff and participates in the evaluation of applications.

### Available Funding

The total funding available for the Rhode Island program is estimated at \$6,174,000. From this total, the amount of \$223,480 will be set aside as the maximum amount for state use in program administration; \$100,000 requiring no match plus an additional \$123,480 (2%) matched by the State on a 50/50 basis. In addition, \$61,740 (1%) will be set aside as State technical assistance monies. Funds may, at the State's discretion, then be held aside to defease repayments on defaulted Section 108 loan guarantees or to fund a loan loss reserve for loans made under the State's Capital Delivery System, Section 108 program. If permissible, the State may also hold aside certain additional administration amounts from this grant to enable it to implement the Integrated Disbursement and Information System (IDIS) or other financial/reporting systems required by HUD.

The remainder, approximately \$5,950,520 (excluding set-asides for defaulted Section 108 loan guarantee/loan loss reserve), will be available to distribute to eligible subrecipients, as follows:

- (1) From this amount, eligible small city entitlement communities will receive \$400,000/each to expend on eligible activities in predominantly low/moderate income areas consistent with a comprehensive plan submitted to the State.
- (2) The progress of communities in the second/third year of a previously funded multi-year neighborhood revitalization program will be assessed and FY'2005 funds will be committed as determined appropriate.

Remaining monies, after the deduction of (1) and (2) above, will fund applications on a competitive basis. Any uncommitted funds

recaptured, reallocated, or otherwise available from prior program years or uncommitted program income earned which becomes available prior to grant awards will be used to defease repayments on defaulted Section 108 loan guarantees or will be applied to projects proposed in the annual application cycle, at the State's discretion. Communities are reminded that the CDBG application process is highly competitive. The State intends to fund the best activities in the neediest communities, however all communities are not guaranteed an annual award.

Any additional funds recaptured, reallocated or otherwise available subsequent to grant awards or any program income received subsequent to that date shall be used to repay defaulted Section 108 loan guarantees or will be reserved, at the State's discretion.

If sufficient funds become available, the State may, at its discretion, open a special application cycle to distribute these funds for housing, economic development and community revitalization activities or use such monies to repay defaulted Section 108 loan guarantees.

Preliminary applications for available funds received after the application cycle will be reviewed by the staff for compliance with community development requirements, threshold criteria, and State procedures. Full applications will then be reviewed by the Steering Committee for feasibility and effectiveness. The Steering Committee will make a recommendation for funding to the Governor. Although there will be no funding limits imposed, acceptance of applications and funding decisions are subject to the availability of funds at the time the application is submitted.

If more than one application is under consideration and insufficient funds are available, priority will be given to proposals based on the criteria outlined in the State's rating and ranking process.

## **PROGRAM OBJECTIVES AND PRIORITIES**

### National Objectives

The primary objective of this program is "the development of viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunity; principally for persons of low and moderate income". To be consistent with this primary objective, local community development programs must give maximum priority to activities which will:

1. benefit low and moderate income families and individuals; or

2. aid in the prevention or elimination of slums or blight.

Local community development programs may also include activities designed to address other documented community development needs where a serious and imminent threat to the public health and welfare can be demonstrated, where no other financial resources are available to meet such needs, and where the condition or threat has developed or become critical within 18 months of the application's certifications.

The statute defines low and moderate income as those limits developed for the Section 8 Assisted Housing Programs. These limits will be provided in the Application Handbook at the beginning of the application period.

#### Low and Moderate Income Benefit

The aggregate use of Small Cities Program funds over a three-year allocation period (FY'2005, FY'2006 and FY'2007) shall principally benefit low and moderate income families and individuals in that not less than 70% of the funds are to be used for the benefit of low and moderate income persons over that period.

To achieve this 70% benefit over the three-year period, the State of Rhode Island will accordingly establish benefit to low and moderate income families and individuals as the program priority. It is estimated that eighty percent or greater of program funds will be expended to provide this benefit.

#### State Consolidated Plan

Within the framework of the national objectives, the State of Rhode Island has set forth a Consolidated Plan which generally identifies the State's housing and non-housing community development needs and objectives.

#### Recipient Review

The State will review its subrecipient communities for compliance with applicable State and federal regulations, including, but not limited to, national objective, eligibility, environmental, labor standards and procurement. Review will be conducted in-office through the examination of required documents such as quarterly progress/close-out reports and applications. In addition, on-site reviews will be conducted by program staff.

#### Priority Activities

Within the context of the national objectives and the State Consolidated Plan and recognizing the commitment of 70% benefit to low and moderate income families and individuals, the State has established benefit to low and moderate income families and

individuals as the primary state objective. Consequently, priority will be given to activities which will result in the following benefits to low and moderate income families and individuals.

1. Provision of activities, which may include any of the below, consistent with a community revitalization plan.
2. Provision of/or the improvement of housing opportunities.
3. Provision of employment opportunities.
4. Provision of community facility improvements.
5. Provision of services.

### Housing Consortia

Among grant and loan programs intended to rehabilitate units primarily for low and moderate income persons, extra consideration is given in the evaluation and scoring system to those communities which agree to jointly fund a rehabilitation staff. For example, a community may contract with another community with an existing staff, contract with a non-profit agency to provide housing services, or several communities may jointly establish a consortium to hire staff and contract for services to each of the communities.

In order to meet Community Development requirements, the contract must specify that Community Development funds awarded to a city or town by the State be utilized for the benefit of that particular community. Each eligible community must submit a separate application for funds. However, communities may jointly contract with a rehabilitation staff to provide housing services within their towns. In establishing a consortium, one community may be designated as the lead community for administrative purposes. The state will provide technical assistance to communities to assist them in establishing appropriate administrative arrangements.

The objectives in encouraging the funding of housing consortia are two-fold. The State of Rhode Island is somewhat unique in that there are no county governmental or regional planning districts to provide administrative assistance to local governments. As a result, a number of small communities do not have the administrative capacity to undertake a rehabilitation program and rehabilitation funds are therefore not available to those local residents in need of assistance.

Secondly there are insufficient funds to maintain a rehabilitation staff in each and every community in Rhode Island. There is a potential danger of losing the current experienced staff in local communities to budget cuts while other communities continue to be unable to provide needed housing services. The State's goal is to provide incentives to encourage a more cost-effective delivery of housing services, and particularly rehabilitation services.

The State encourages rehabilitation offices to maintain all rehabilitation programs (ie. grants/loans) at one location, so that they can be coordinated and offered in a cafeteria format to applicants. This method better serves the individuals seeking assistance and provides for more effective operation of programs.

## **ACTIVITIES AND APPLICATIONS**

### Eligible Activities

Activities authorized for Small Cities CDBG grants under the Housing and Community Development Act of 1974, as amended, are eligible for funding under this program. Applicants, however, will be cautioned that each proposed activity must meet National Objectives as heretofore stated. This, combined with the commitment for 70% benefit to low and moderate income families and individuals, will result in certain activities competing more favorably for funding.

Cities and town may also apply for funds for the operation of a home repair program capitalized by the RI Housing and Mortgage Finance Corporation, provided that their program will primarily benefit low and moderate income families and individuals.

### Applications

#### 1. Funding Limits

- a. The community development needs section for the rating system will be utilized in developing three categories of applicants. **Those who may apply for \$250,000, \$400,000 and \$500,000.** For a more comprehensive description see Attachment CD-A. This chart is updated on December 31st of each year.
- b. Applications for assistance to specific private for-profit businesses must be submitted as part of the town's application, but will not be counted as part of the application funding limit and may be awarded in excess of the funding limit. This provision is intended to fund specific proposals that are complete and ready for implementation.
- c. Applications for housing development activities, which increase the number of housing units permanently available to low/moderate income persons, may not, at the municipalities' discretion, be counted as part of the application funding limit and may be awarded in excess of the funding limit. This provision is intended to fund specific and special development proposals that are complete and ready for implementation.

- d. Proposals submitted under b. and c. above should be reasonable and must include documentation relative to other funds committed to the project. Proposals under b. and c. above will not be funded as special projects if they consist solely of planning and/or predevelopment costs.
- e. The State may, at its discretion, commit future funds to multi-year projects. Subsequent year awards would be contingent upon the receipt and availability of future CDBG allocations. This provision is intended for specific community/neighborhood revitalization efforts which include a variety of activities planned phased over a multi-year period. Multi-year commitments will be contingent upon adherence to the development plan and substantial expenditure of previous year(s) funding. The State reserves the right to review multi-year comprehensive plans, make changes as deemed necessary or appropriate and to make funds received by the community contingent upon the State's approval of the plan.

Communities that seek renewal of 3-year programs will be required to submit detailed achievement and progress reports in a format prescribed by MA.

- f. Communities eligible to receive a Small City Entitlement award will receive a grant of \$400,000 to be expended on eligible activities in the communities predominately low/moderate income areas, consistent with a comprehensive plan approved by MA/CD. The State may impose conditions relative to the municipality's community organizing effort and plan. The State reserves the right to review this plan, make changes as deemed necessary or appropriate and to make small city entitlement funds received by the community contingent upon the State's approval of the plan and local adherence to the plan and to State imposed conditions. Small City Entitlement communities will be allowed to submit applications relative to the competitive portion of the distribution system up to a cap of \$300,000. It is not anticipated that Small City Entitlement communities will submit "Over the Cap" requests.
- g. Operating support for communities which host regional housing and community development programs may not be counted as part of a community's application funding limit and may be awarded in excess of the funding limit.
- h. Funds in support of a Main Street Coordinator may not be counted as part of a community's application funding limit and may be awarded in excess of the funding

limit.

- i. Special projects assisting tenants in the purchase and improvement of mobile home parks may not be counted as part of the community's application funding limit and may be awarded in excess of the funding limit.

To be considered under this provision, it is understood that activities supportive of such tenant-acquisitions of mobile home parks must be an integral part of the acquisition plan.

## 2. Duration

All grant awards will be made for a 12 month period. Extensions may be granted by the State when satisfactory progress toward completion of the projects is evident.

All communities are required to spend all monies awarded within five years of award date. Any funds remaining after five years will be deobligated and recaptured by the State. This requirement is necessitated by the National Defense Anti-Deficiency Act which stipulates that jurisdictions (including States) have only 8 years in which to spend their funds; after such time the funds will be reclaimed by the Fed's and reprogrammed.

## 3. Scope of Review

Communities are reminded that the CDBG application process is highly competitive. The State intends to fund the best activities in the neediest communities, however all communities are not guaranteed an annual award. In reviewing an application and awarding grants, the State may eliminate or modify a proposed activity or modify proposed funding where it is determined that such changes are necessary to comply with program requirements, national objective, and threshold requirements, or where certain activities are not competitive in relation to other applications under review. In reviewing requests for assistance to provide for-profit businesses, the State reserves the right to negotiate directly with the private participating parties to substantiate the economic feasibility of the proposed project and to determine the appropriate amount of public financing required.

Each application is reviewed twice. The application evaluation scoring system is a vertical competition between entire applications. The steering committee evaluation is a horizontal review between comparable activity groupings (ie. housing rehabilitation, economic development, public facility improvements). This system is designed to achieve a reasonable balance between community development needs and



individual project competitiveness and to fulfill the state's intended purpose stated above.

## **INTERIM FINANCING/FLOAT-FUNDING**

The State may utilize funds earmarked for distribution under the regular components of the Fiscal Year 2004 program for short-term interim loans to further assist business expansion and job development and for acquisition and construction related to the provision of housing or community facilities for low and moderate income persons. The state would grant short-term financing to communities to loan to companies or non-profits for interim financing (eg. construction financing). Eligible project applications from local communities will be carefully screened for suitability. The program will be used as a tool for locating, expanding or retaining a large number of jobs in Rhode Island as well as for temporary financing necessary for the provision of housing or community facilities for low and moderate income persons. The total amount of program income expected to be received would match the total amount of Interim Financing plus any interest charged. Each individual float-funded activity will be individually listed and described in the State's annual performance report, in the same manner as activities funded under the State's allocation.

The Interim Financing Program would be implemented as follows:

1. The local government will apply to Municipal Affairs, Community Development for approval for a specific project and, in the case of economic development activities, for a specific company. Applications will be accepted on a continuous basis.
2. Each project will initially be reviewed for eligibility and compliance with national objectives.
3. Each applicant company or owner must have an irrevocable line of credit or other interim and permanent financing arranged and documented prior to state approval. The company or owner must secure such letter, payable to the state, through the locality.
4. Projects will be reviewed for financial feasibility to determine the amount necessary and appropriate for the state's participation. The state will participate at the minimum level in order to limit the state's exposure in the project. Upon approval, the state will draw funds as needed by the company from HUD. All expenses and vouchers must first be approved by the community prior to submission to the state. Although no grant limits will be applied to Interim Financing, the amount requested must be reasonable to assure that repayment is guaranteed. Monies may only be granted to a site specific project; it is not the intention of this program to fund general local financing programs.

5. The interim loan will be a demand note which, when called, conventional financing will replace for any remaining expenses.
6. For purposes of the Interim Financing Program, the State defines "same activity" as the same activity for the same purpose, company and location. Therefore, as appropriate, the loan principal will be returned to the state for its designated use under the regular CDBG Program.
7. All CDBG Program regulations that normally apply to the State CDBG program will apply to the Interim Financing Program including, but not limited to, adherence to national objective, low-moderate income benefit requirements, environmental review, citizens participation and Davis-Bacon labor standards.
8. Cognizant that the availability of funds for subsequent use in the regular program will depend on the return of funds from the initial user and thus potentially reduce the amount available for awards in the normal grant cycle, the program will be governed by an "iron clad" contract between local government, participating bank and company or non-profit agency which will ensure repayment and State recapture of funds.
9. As this is not a competitive process, projects may not be subjected to the rating system or presented to the Steering Committee. However, projects will be reviewed for compliance with threshold requirements.
10. Short-Term: The term of the Interim Financing loan may range from a 1-day to a maximum of 2.5-years. The specific term length will be mutually agreed upon by the community and the State and shall be made part of each contract agreement.
11. Default: Liens and other suitable encumbrances shall be placed on sponsoring agencies to cover obligations in the unlikely event of default. Within 30 days of a float-funded activity's failure to generate the projected amount of program income on schedule, the full amount of the default/shortfall will be reimbursed to the State's line of credit. As a last resort, if liens/encumbrances noted above are insufficient/unavailable, the State would use unobligated subsequent year CDBG allocations to cover the loan loss.

12. Interest: Interest may be charged on Interim Financing loans from 0%-3% per annum. The specific rate will be mutually agreed upon by the community and the State and shall be made part of each contract agreement. The State may allow local governments to retain interest payments for eligible CDBG activities or may require the return of such to support the operation of the Interim Financing program.
13. The State is cognizant of the fact that in many cases, particularly those involving acquisition, loan funds are often necessary by a specific date (ie. the purchase closing date). Every reasonable effort will be made by the State to provide funds granted under Interim Financing in a timely fashion to recipients.

## Threshold Requirements

In recognition of State development policy, threshold requirements are established for this program. The Division of Planning will review each application for consistency with the following:

### 1. Local Comprehensive Plan and Development Controls

All proposed activities must be in compliance with local development policy set forth in the local state-approved Comprehensive Community Plan and with local development ordinances and regulations. The Administrative Officer/Planner for the local Planning Board or Commission (or authorized official if no Administrative Officer/Planner for the local Planning Board/Commission exists) shall certify that all proposed activities are in compliance with the Comprehensive Plan. For communities without a State-approved Comprehensive Plan, the Administrative Officer for the local Planning Board and Commission shall indicate how the proposal is consistent with each element of the State Guide Plan relevant to the project.

### 2. Flood Plains

New development will not be approved within the 100 year flood plain as defined on mapping provided by the Federal Emergency Management Agency unless such development is designed to mitigate or to be compatible with the flood hazard. This shall not apply to the reuse or rehabilitation for use of existing structures or to the development of shore or waterfront facilities where appropriate flood-proofing and flood protection measures are implemented and where hazards to other property is not increased. In addition, where required/deemed appropriate, any such investment shall be protected by flood insurance.

The local Building Official or other appropriate local official shall certify that the proposed project is consistent with National Flood Insurance program requirements and with the above statement.

### 3. Planned Transportation Actions

No program will be approved which includes the construction development or rehabilitation of a facility or structure in a location which conflicts with a planned major transportation action or investment. Reference is made to transportation elements of the State Guide Plan and to the Environmental Action Plan of the Rhode Island Department of Transportation for the definition of a "major transportation action".

4. Stream Discharges

No activity which will result in discharges in Class A/SA or B/SB waters will be approved without the written consent of the Department of Environmental Management.

5. Historic Resources

The application must include documentation that the Rhode Island Historical Preservation Commission and the Narragansett Indian Tribal Historic Preservation Office have been notified of all proposed activities. No activity will be approved without documentation demonstrating compliance with all applicable procedures, as adopted in memorandum(s) of understanding between the Office of Municipal Affairs and the R.I. Historic Preservation Commission and the Office of Municipal Affairs and the Narragansett Indian Tribal Historic Preservation Office.

6. Ground Water Aquifers and Recharge Areas

No activity which will result in waste water discharge into an identified major ground water aquifer or principal recharge area will be approved unless such activity is served by public sewers or is designed to ensure protection of the ground water resource and is approved by an agency of jurisdiction. Reference is made to the State of Rhode Island "208" Areawide Water Quality Management Plan-Map of Water-Related Sensitive Areas.

7. Farmland

No construction or development will be approved in a location where more than 50% of the site consists of soil which are rated as prime farmlands or important farmlands of statewide significance in the 1981 Soil Survey of Rhode Island unless one or more of the following can be demonstrated:

- a. No other location is feasible.
- b. The land cannot be part of a viable farm unit and has not been in farming use for a period of five years.
- c. Urban development has taken place within a 1/2 mile of the location and urban utilities such as public water and sewerage are available within 1/4 mile of the locations.

Housing and Community Development Needs Identification

Each applicant must submit, as part of its application, a statement identifying "its housing and community development

needs, including those of low and moderate income persons, and the activities to be undertaken to meet such needs". Provisions for this statement will be made in the Application Handbook. Failure to submit this statement will result in the elimination of the application from further consideration. This statement should, where applicable, outline the community's plans for concentrated investment in a community or neighborhood revitalization program, and for multi-year commitment of CDBG funds.

#### Permitting Procedures

No expenditure for construction or development, excluding the costs generally associated with site design and predevelopment, will be authorized until all reviews, permits, clearances, and/or statements of non-applicability have been received as required by any applicable Federal, State or local regulatory or permitting process such as the Fresh Water Wetlands Act, the Coastal Resources Management Act, the program of the U.S. Army Corps of Engineers or the U.S. Environmental Protection Agency. Applicants will be required to identify any such applicable systems in their submission.

#### Displacement and Relocation

It is the policy of this program to minimize displacement due to the implementation of any program activity. Where there is no feasible alternative, relocation shall be governed by the Uniform Relocation Act. For any other involuntary or permanent displacement with respect to residential or non-residential property, not covered by this Act, grantees will be required to utilize the general standards of said Act by providing equivalent benefits. The State will require prior approval of any potential displacement and relocation resulting from any approved activity. Each grantee must certify that it will follow the State of Rhode Island residential anti-displacement and relocation assistance plan.

#### Program Income

Any income resulting from the implementation of any approved program activity shall be returned to the State program unless such income is applied by the grantee to continue the approved program activity from which such income was derived. Upon request, the State may grant permission for the use of such income funds for another eligible program activity. All requirements placed on the expenditures of regular CDBG funds shall be applied to the expenditure of such income.

#### Section 108 Loan Guarantees

The State does intend to aid nonentitlement units of general local government in applying for guaranteed loans under 24 CFR

part 570, Subpart M (Section 108 Loans) in accordance with Attachment CD-B.

The State intends to apply for a Generic Section 108 Loan Guarantee. These monies will be utilized for the development of the Statewide Small Cities Capital Delivery System. The program is designed to provide capital to viable home-grown small business that do not have access to bank loans and will provide systematic on-site advisory services that cover information, analysis and referrals for the small businesses's financial and employment needs.

#### Prior Program Performance

A grant award will be contingent upon satisfactory completion of prior State Small Cities CDBG projects, or, if not completed at the time of application review, satisfactory progress toward completion by the scheduled completion date with no discernible problems and in compliance with financial management, civil rights, labor standards and other program requirements.

To be eligible to apply for FY'2005 funds, each applicant must have drawn down at least 50% of its FY'03 grant and 75% of its FY'02 and previous year grants. All communities are required to spend all monies awarded within five years of award date. Any funds remaining after five years will be deobligated and recaptured by the State.

#### State Enterprise Zones

Pursuant to 42.64.3-5.1 of the General Laws; the State, to the maximum extent possible, will provide special assistance to proposed activities to be located in State Enterprise Zones. Special consideration by the steering committee will be granted to the City of Central Falls, and those portions of Lincoln, Cumberland, Warren, Bristol and West Warwick located in approved State enterprise zones.

#### One-for-One Replacement

In accordance with the Section 104(d) of the Housing and Community Development Act of 1974, as amended, and implemented at 24 CFR Part 42.375, all Occupied and Vacant Occupiable Lower-income dwelling units that are demolished or converted to a use other than as Lower-Income dwelling units in connection with an assisted activity must be replaced with comparable lower-income dwelling units.

Replacement units must be sufficient in number and size to house no fewer than the number of occupants who could have been housed in the units that are demolished or converted.

Financially feasible for rehabilitation is defined as follows:



Residential structures that can be rehabilitated to code within the maximum subsidy per unit limits for HUD's 221(d)(3) program. Any unit which does not meet the requirements of condemnation under the State Building Code for reasons directly attributable to deteriorated major building systems is hereby determined to be Structurally Feasible for Rehabilitation.

Recipients must certify to the State that it has in effect and is following a residential antidisplacement and relocation assistance plan and that it will minimize displacement. The municipality will certify to the requirements stated herein by signing the Residential Antidisplacement and Relocation Assistance Plan as part of its grant agreement.

Prior to the obligation/expenditure of funds, communities which plan demolition activities must submit to MA/CD a "One for One Replacement of Lower-income Dwelling Units" plan which details how units which are planned to be demolished will be replaced. Said plan should include a list of structures to be demolished, those identified as financially and structurally feasible for rehabilitation and how such units will be replaced if demolition is to occur.

The one-for-one replacement requirements may not apply, based upon objective data, if it is determined there is an adequate supply of vacant low/moderate income dwelling units in standard condition available on a nondiscriminatory basis within the jurisdiction of the grantee. A community may request such exception from the State in accordance with the regulation, who will evaluate the request and required supporting documentation submitted, and submit such to HUD along with its recommendation.

## **THE APPLICATION AND AWARDS PROCESS**

### Outline of Application Procedure

The general steps in the application and review process are as follows:

1. Notification to eligible communities of their funding limit and the availability of funds and transmittal of an Application Handbook with the final date for application submission. An application workshop will be scheduled.
2. Convening of a public hearing by prospective applicants to obtain the views of citizens on local housing and community development needs.
3. Publication by the applicant of the proposed application including a statement of community development objectives and the projected use of funds. A second public hearing shall be conducted before the proposed application.

4. Completion of the application incorporating comments and views obtained from citizens. The final application shall be made available for public inspection.
5. Submittal of activities to the applicant's planning board or commission for review to determine compliance of proposed activities with local planning and development policy as set forth in the local Comprehensive Community Plan. Certification of compliance is required prior to the award of funds.
6. Completion of the application and all necessary certifications with all supporting materials and submitted to the CD staff at the Municipal Affairs, Community Development by the required deadline.
7. General application review as follows
  - a. Review by CDBG staff for general compliance with program and application requirements, national objectives and eligible activities.
  - b. Referral to the Division of Planning for review and evaluation of threshold criteria.
  - c. CD staff may, at its discretion, consult with other state agencies, including but not limited to the Department of Elderly Affairs, the Economic Development Corporation and the Department of Health, for advice relative to requests for assistance in their areas of expertise.
  - d. During the review period, the CDBG staff may request additional information or documentation from applicants and may request minor modifications to the proposal in order to meet program requirements, national objectives, and threshold criteria. The Economic Development Subcommittee may also request additional marketing and financial information directly from the private participating parties. Applicants will not be allowed to make substantial changes or modification to their applications which would necessitate public notice and comment. Applicants will be allowed no more than two weeks to submit requested material.
  - e. Application of the evaluation scoring system by the CD staff.
  - f. Applications ranked by evaluation scores, and comments from the Division of Planning or any other consulted agency/committee will be submitted to the Steering Committee for review.

- g. Applications which are not in compliance with program requirements, national objectives, or threshold requirements, will not be submitted to the Steering Committee for further review.
8. Qualitative review by the Committee as outlined below, assisted by CDBG staff. Development by the Committee of recommendations for funding, with any appropriate conditions, for transmittal to the Governor, who is responsible for the final decision on grant awards.

#### Application Evaluation and Entire Scoring System

To assist the Steering Committee in its review of applications, an evaluation and scoring system will be applied to each application. The following general areas of each application will be covered in this system:

1. General Community Needs

Scoring is based on community population, family income, unemployment, public assistance, per capita criteria and housing condition indicators.

2. Anticipated Project Benefits

Economic development activities are rated based on the cost per job to be created/retained, community priority ranking, community revitalization effort, and leveraged funding.

Housing activities are rated based on the cost per unit to be rehabilitated or developed, the community priority ranking, community revitalization effort and past housing rehabilitation program performance (this will include past amounts drawdown and whether the community participates in a housing consortium).

Community facilities and services are rated based on the cost per low/moderate person to be served, community priority ranking and community revitalization effort.

Activities for the prevention or elimination of slums and blight are rated based on the cost per number of dilapidated structures or blighting influences to be eliminated, community priority ranking and community revitalization effort.

Urgent community development needs are evaluated on the extent to which the threat will be eliminated and the adequacy of documentation to demonstrate the project is unable to be financed from other sources.

(The community revitalization criteria noted above will take

into account three areas: Whether the projects is located or serves an Enterprise Zone/Enterprise Community, the projects consistency with the State Consolidated Plan's housing/non-housing community development needs, and the extent of the project's involvement in a comprehensive community/neighborhood revitalization effort.)

(A multi-purpose application will be scored under each applicable subpart and the scores proportioned according to the percent of total funds allocated to each type of activity.)

3. The state will award bonus points to proposals that demonstrate employment of handicapped or minorities in CDBG agencies and to communities that award contracts to minority and female business enterprises.

The state will award bonus points to applications which propose activities directly consistent with the local Comprehensive Community Plan.

Extra consideration will be provided to applications which document the community (or agencies within the community's application) has staff who have completed the University of Rhode Island, Community Development Certificate Training program.

#### Steering Committee

The Steering Committee will undertake a qualitative review assisted by State staff. The Steering Committee will base its deliberations on the rating system and select the strongest proposals from comparable groupings of activities. The Steering Committee's recommendation to the Governor should reflect a reasonable balance between community development needs and effective competitiveness of individual project proposals.

The review will consist of a project by project analysis grouped by activity type (ie. Housing Rehabilitation, Housing Development, Economic Development, Public Services/Facilities and Planning). The Steering Committee will weigh its consideration on the following priorities - housing, economic development and community revitalization proposals. The analysis will consider: 1. cost effectiveness of the proposals, including leveraged funds; 2. extent to which the proposed activities address community development needs identified by the community in the Community Development Plan; 3. extent to which the activity represents a coordinated approach to community/neighborhood revitalization; and 4. adequacy of the proposed management plan as well as priority program performance, including resolution of monitoring or audit findings.

Final awards by the Governor shall be based on recommendations of

the Steering Committee. Modification to the recommendations may be made based on the following criteria.

1. The recommendations are not consistent with this action plan.
2. Activities conflict with other State projects or priorities.
3. Activities duplicate other State projects.

#### Small City Entitlement Distribution System

In FY'2005, the State will continue it's Small City CDBG Entitlement program. Under this program, \$400,000 will be distributed to each community which qualifies as a small city entitlement. Funds will be distributed for eligible CDBG activities consistent with the State's Action Plan in the municipality's predominately low/moderate income areas, which meet minimum concentration requirement [minimum of 900 LMI individuals in area {LMI block group/survey area/contiguous LMI block groups}].

The State promotes comprehensive neighborhood revitalization strategies. Under this program, CDBG and other resources will be invested in a focused manner to achieve demonstrable improvements in designated distressed areas.

Various criteria have been utilized in designating Small City CDBG Entitlement communities. It will be determined which communities are eligible to receive a Small City entitlement by the total number and percentage as well as concentration of low/moderate income persons in areas within the municipality. Specifically, a community must have: 1) a Census Tract/Block Group area (may be contiguous CT/BGs) with a concentration of low/moderate income persons exceeding 70% of the total population for the area, and such that the total number of low/moderate persons in this area exceeds 2000 and 2) the community must have, in total, at least 5000 low/moderate income persons in predominately (at least 50%) low/moderate income CT/BT areas.

To ensure targeting of CDBG resources to the most needy areas, all funds distributed on an entitlement basis must be expended in the focus area(s) that meet the criteria established by the State as outlined above. It is this distressed area(s) which is empowering the municipality to become a Small City CDBG Entitlement and therefore should be the area(s) concentrated upon for distribution of entitlement funds.

Receipt of a Small City CDBG Entitlement award is contingent upon the completion of local plans, outlining the needs of the municipality's distressed area(s) and how proposed actions can be accomplished to address those needs. Expenditure of entitlement funds must be based on this plan for the designated area(s).

The State reserves the right to review the plan, as required

above, to make changes as deemed necessary or appropriate and to make any entitlement funds received contingent upon the State's approval of such plan.

The balance of State Small Cities CDBG funds will be distributed to communities for activities on a competitive basis.

#### Main Street Program

The Main Street program provides Main Streets with a self-help framework that fosters gradual, incremental, sustainable improvement. Its four point approach to revitalizing commercial areas includes:

- 1) Design - which involves improving a Main Street's image by enhancing its physical appearance;
- 2) Organization - which means building consensus and cooperation among public and private stakeholders and getting them to volunteer their time;
- 3) Promotion - involves marketing the Main Street's unique characteristics to shoppers, investors, new businesses tourists and others; and
- 4) Economic restructuring - which strengthens the existing economic base while expanding and diversifying it.

Local communities acknowledge that a statewide program will allow Rhode Island to draw upon the expertise and success of the National Main Street Center and other resources in development of a commercial revitalization initiative.

The CDBG program will be used as a tool in support of the Main Street Program once it is initiated. Those specific activities which can be assisted with CDBG funds (ie. those that meet eligibility and national objective requirements) can be focused, investing resources in these typically distressed predominantly low/moderate income areas.

Those non-entitlement municipalities selected as Main Street communities will be encouraged to submit proposals, consistent with their Main St./CDBG neighborhood revitalization strategies, for funding under the CDBG annual competition. Such activities will be highly prioritized and competitive under the State's distribution system.

CDBG assistance to Main Street Initiatives should be incrementally decreasing over time. It is anticipated these programs will engage in independent fundraising of private as well as public resources, eventually becoming self-supporting.

#### Preagreement Costs

The State intends to utilize the provisions of 24 CFR Part 570.489(b) relating to Reimbursement of Pre-agreement Costs.

The State has adopted procedures which permits a unit of local government to incur costs for CDBG activities prior to the establishment of a formal grant relationship between the State and the unit of general local government and to charge these pre-agreement costs to the grant, provided that the activities are in accordance with procedures adopted by the State, are eligible and are undertaken in accordance with the requirements of this subpart and 24 CFR Part 58. The UGLG must submit a written request for preagreement consideration along with backup documentation sufficient to assure consistent with State/federal requirements and priorities.

#### Recipient Review/Monitoring

The State of Rhode Island has developed and implemented a recipient review system. The purpose of this system is to determine whether recipients have carried out CDBG activities in a timely manner and in accordance with the primary objectives, applicable laws, regulations and executive orders.

In designing the review system, special attention was given to Rhode Island's rather unique situation. As a state in which no community is more than 45 minutes away and there are only 33 communities eligible for the Small Cities Community Development program, Rhode Island affords the State community development staff the opportunity to be familiar with each eligible recipient, as well as the impact of each project on the local area.

The State has developed a CDBG Management Handbook that instructs communities on the various regulations of the program and requires program recipients to submit written progress reports, the primary of which are the Quarterly Progress and Close-Out Reports.

The Quarterly Progress report includes data relative to the extent to which persons or households have benefitted from CDBG activities as well as status narratives. The program Close-Out report requires recipients to provide all accomplishment information at the completion of funded activities.

Tracking and review of these reports constitutes a major portion of the off-site recipient review. This system permits state staff to remain current relative to recipient progress and to identify problem areas that require special attention.

The State Community Development staff makes every effort to visit each recipient several times during the grant period. The staff reviews all reports and requests for technical assistance, and gives weight to each of the following criteria when scheduling on-site monitoring in an effort to ensure that visits take place at the most optimum time.

**CRITERIA:**

1. Towns with serious problems
2. Close-Out requests reviewed
3. New Recipients
4. Stalled programs
5. Complexity of the projects
6. Projects with no prior review
7. Town with audit findings
8. Requests for assistance
9. Standing of grants, percentages of funds drawn
10. Community's past performance

On-site monitoring visits are documented in a monitoring report. This report is submitted with a cover letter summarizing any finding and indicating actions necessary to resolve them.



### Timeliness

Although no timeliness standard is currently imposed on State CDBG Recipients (with the exception of the 15-month obligation criteria) by HUD, Rhode Island will impose the following drawdown requirements on its recipients to assure the timely distribution of funds.

- To be eligible to apply for FY'2004 funds each applicant must have drawdown at least 50% of its FY'2002 grant and at least 75% of its FY'01 and prior year awards by March 31, 2004.
- Communities are required to spend all monies awarded within five years of award date. Any funds remaining after five years may be deobligated and recaptured by the State.

ATTACHMENT CD-A

FY'2005 CDBG Application Rating System

COMMUNITY DEVELOPMENT NEEDS (50%)

POPULATION

Population

0 to 50 points - low number to high number.

FAMILY INCOME

Percent of households with annual income below HUD's LMI levels.

0 to 25 points - low percent to high percent.

Number of households with annual income below HUD's LMI levels.

0 to 25 points - low number to high number.

HOUSING STOCK

Housing Conditions as defined by Consolidated Plan.

0 to 25 points - low percent of units with problems to  
high percent of units with problems.

Housing Affordability

0 to 25 points - low percentage of housing affordable to  
high percentage of housing affordable.

ECONOMIC INDICATORS

Percent of Population Receiving Public Assistance.

0 to 25 points - low percent to high percent.

Percent of Population Unemployed.

0 to 25 points - low percent to high percent.

PER CAPITA/PROPERTY VALUE INDICATORS

Per Capita Income

0 to 25 points - high income to low income.

Percent of Personal Income to Full Value of Property:

0 to 12.5 points - low percent to high percent.

(Computed by multiplying the per capita income by the most  
recent population estimate and dividing the result by the  
full value of property)

Per Capita Full Value of Property:

0 to 12.5 points - high value to low value.

(Full value of the property divided by the population)

ANTICIPATED PROJECT BENEFITS (50%)

Economic development activities are rated based on the cost per job to be created/retained - businesses assisted (or LMI Percentage of area served), community priority ranking, community revitalization effort, and leveraged funding.

Housing activities are rated based on the cost per unit to be rehabilitated or developed (range 0-15000 per unit equal), the community priority ranking, community revitalization effort and past housing rehabilitation program performance (% of past grants drawn & housing consortium). Extra consideration will be provided to rehabilitation programs which are comprehensive in nature.

Community facilities and services are rated based on the cost per low/moderate person to be served, community priority ranking and community revitalization effort.

Activities for the prevention or elimination of slums and blight are rated based on the cost per number of dilapidated structures or blighting influences to be eliminated, community priority ranking, community revitalization effort and the extent to which the activity eliminates a documented condition of slums and blight.

Urgent community development needs are evaluated on the extent to which the threat will be eliminated and the adequacy of documentation to demonstrate the project is unable to be financed from other sources.

#### BONUS POINTS

Bonus points will be awarded to communities that employ the handicapped or minorities in CDBG agencies and to communities that award contracts to minority and female business enterprises.

The state will award bonus points to applications which propose activities directly consistent with the local Comprehensive Community Plan.

Extra consideration will be provided to applications which document the community (or agencies within the community's application) has staff who have completed the University of Rhode Island, Community Development Certificate Training program.

(The community revitalization criteria noted above will take into account three areas: Whether the projects is located or serves an Enterprise Zone/Enterprise Community, the projects consistency with the State Consolidated Plan's housing/non-housing community development needs, and the extent of the project's involvement in a comprehensive community/neighborhood revitalization effort.)

(A multi-purpose application will be scored under each applicable subpart and the scores proportioned according to the percent of

total funds allocated to each type of activity)

## ATTACHMENT CD-B

### **Rhode Island Section 108 Loan Guarantee Program**

The Municipal Affairs, Community Development recognizes that non-entitlement communities find it difficult to access large scale funding for specific economic and housing development activities. The National Affordable Housing Act of 1990 amended Section 108 of the Housing and Community Development Act to enable non-entitlement communities to apply to the State and to HUD to finance revenue producing activities that meet the accepted CDBG national objectives and eligibility criteria.

The State of Rhode Island will pledge up to \$25 million of future CDBG allocation in support of eligible activities.

#### Eligible Activities

Guaranteed loan funds may be used for the following activities, provided that said activities are designed to produce revenue.

1. Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development activities.
2. Rehabilitation of real property owned or acquired by the entity applicant, city or town or its designated public agency.
3. Payment of interest on obligations guaranteed under the 108 program.
4. Relocation payments and other relocation assistance.
5. Clearance, demolition and removal, including movement of structures to other sites, or building and improvements on real property acquired or rehabilitated pursuant to numbers 1 and 2 above.
6. Site preparation, including construction, reconstruction or installation of public improvements, utilities or facilities (other than buildings) related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs and above.
7. Payment of issuance, underwriting, servicing and other costs associated with private sector financing of notes or other obligation guaranteed under this subpart.
8. Economic development programs including acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures or other

real property, equipment and improvements. Assistance may be provided to private-for-profit, and private or public nonprofit subrecipients where assistance is appropriate to carry-out the economic development activity.

9. Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government), site improvements, and utilities, for an economic development purpose.
10. A debt service reserve in accordance with requirements.

#### National Objectives

Activities must be designed to comply with one of the following national objectives:

Benefit to low and moderate income families and individuals or,

aid in the prevention or elimination of slums and blight.

Applicants are reminded that the state is committed by HUD requirements to fund activities that provide a 70% benefit to low and moderate income persons.

#### Application Period and Grant Limitations

The state will accept applications throughout the year. Total state exposure will not exceed \$25 million dollar at any one time. Local accrued awards shall be limited to \$10 million dollars at any one time.

There are no application minimum or maximums.

#### Evaluation Criteria

Successful applicants will receive project money from HUD, but the repayment of those funds is guaranteed by State CDBG. The state pledges that future CDBG grant monies will repay the federal government should a non-entitlement recipient of a Section 108 Loan guarantee default. Because of this provision the state will develop an application that provides for stringent review with the following criteria:

Clear definition of the project goals and activities.

Effective and capable local management.

Analysis of secondary economic and fiscal impacts.

Revenue projections and firm financial information on the proposed project.

Total housing units developed for permanent affordable housing.

Percent of low/moderate jobs created over the fifty-one percent National Objective minimum.

Percent of jobs to be documented as "taken by" low/moderate income persons.

Ratio of loan guarantee dollars to the number of low/moderate income persons.

Percent of permanent affordable housing units developed over the fifty-one percent national objective minimum.

Ratio of loan guarantee dollars to permanent affordable units developed.

Leverage of non-government funding

Extent of CHAS consistency.

The state will grant special consideration and encourage applicants that

Are located in or directly benefit the state and federal enterprise zones.

Are part of the comprehensive community or neighborhood revitalization program.

Provide for linkages between housing development and supportive services.

#### Risk Management and Controls

(Note: For terms longer than 10 years or where in any one year the 108 payment exceed the annual State CDBG entitlement HUD will also exert itself into project underwriting.)

The local jurisdiction will complete its own underwriting/analysis of each project with recommendation for approval to the state and be accompanied by the chief elected official's signed certification required by HUD

The State shall complete its underwriting of the project and shall require: quality collateral/security reasonably consistent with conventional lending practices for similar project with respect to loan to value (LTV) ratios. After project stabilization and a good payment history, collateral can be reduced by the applicants request and State and Local approval.

The City or Town and State must conclude that the project is likely to...a) produce both the National Objective and forecasted public benefits and b) evidence that the net operating income will be sufficient to meet debt service.

Under certain circumstances where overwhelming public benefit are forecasted the State and locality can mutually decide to accept...

- a. impaired collateral
- b. reduced interest rates
- c. poor cash flow and/or credit risks

provided, however, that the State and Locality can mutually agree to financial sanctions against the local jurisdiction relative to the future CDBG applicants/foregoing funding in event of default or missed payment(s) by the recipient.